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48. Taxation in the Soviet Union

During the 21st Party Congress in January 1959, Khrushchev promised an end to direct taxation in the next few years; in the April 1959, issue of USSR, the Soviet magazine published in English for the US, there is an article predicting the imminent abolition of taxes. Taxes in the Soviet Union are direct such as the income tax and indirect such as the turnover tax. The Soviets do not acknowledge the indirect taxes, but rather call them "profit obtained by the State in conducting its economic activities". The income tax in the Soviet Union is graduated from a low of 1 1/2% to a maximum of 13%, for State workers and employees. It is greater for individuals still earning income in the private sphere. In 1958 the direct taxes represented 7.8% of the total tax take. (For comparison the US tax rate begins at 20% and rises past 90%.) The indirect taxes impose the greatest burden on the citizens of the Soviet Union and are made up of two taxes—the turnover tax, already mentioned, and the profits tax. The turnover tax is levied on almost all consumer goods and operates much as a sales tax would in the West; the profits tax is that share of the profit of an enterprise that goes to the State--in 1958 this was about 70%. In the West taxes are broadly classified as progressive and regressive. The progressive tax tends to decrease income inequality; the regressive to increase it. The graduated income tax is progressive--it is an equalizer as is the inheritance tax. The sales tax or turnover tax is regressive--it falls equally on rich and poor alike--and so in terms of buying power hurts the poor people the most. The Soviet Union does not have an inheritance tax.

On 18 April, in his first statement since his epic flight from Tibet, the Dalai Lama assailed the Chinese Communists as having violated their pledge of self-rule for Tibet and having interfered in Tibetan religious and internal affairs. He pointed out that as far back as 1956 "Chinese armed forces destroyed a large number of monasteries. Many lamas were killed and a large number of monks and officials were taken and employed on the construction of roads in China and the interference in the exercise of religious freedom increased". In addition, he refuted Peking's kidnap charges and made it clear that he "left Lhasa and Tibet and came to India of his own free will and not under duress". Peking's reaction to the Dalai Lama's statement was swift. The New China News Agency on 20 April branded the Dalai Lama's statement as "a crude document, lame in reasoning, and full of lies and loopholes".

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## 70. CEMA's First Decade

The Soviet Union created the Council of Mutual Economic Assistance (CEMA) on Jan. 25, 1949. The original members were all the East European Satellites and the USSR. Yugoslavia is no longer a member. Red China now sits in as an observer. Headquartered in Moscow, CEMA was organized partially to regain allegiances battered by the war reparations taken out of Eastern Europe and partially to counter the Marshall Plan's appeal to the Satellites. It will be recalled that Czechoslovakia and Poland were forced by Stalin to withdraw their earlier acceptance of Marshall Plan aid. CEMA's announced aims (Moscow's primary objective was to tighten control of Satellite economies) were to foster intra-bloc trade, develop a bloc economic division of labor, and establish common planning and pricing policies. During its first decade, CEMA has produced a ponderous organization with meager results. Eastern Europe's shifting policies on division of labor have yielded degrees of national specialization much inferior to those of Western Europe. The Satellites have competed against each other for western trade on occasion, apparently without concern for CEMA policies. Each Satellite clings to its favorite line of production unable to form a rational price system because of Communist economic method. Thus, prices have been set by reference to free world markets or simply by arbitrary government action. Soviet needs have dictated Satellite planning resulting in serious economic deterioration though a few measures reflecting local needs and resources have been allowed (e.g. Polish de-collectivization, Rumanian concentration on oil production). Within the Satellites artificial industries, dependent on the USSR for both capital equipment and raw materials, have been created and heavy rather than consumer goods industries have had priority. After a decade of CEMA, Satellite living standards still are low (in some countries lower than before World War II). Since the May 1958 Moscow Conference of top Communist leaders, numerous meetings and activities have been undertaken with the purpose of invigorating CEMA.

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## 71. Trials and "Amnesty" in Hungary

On 28 February, Ferenc Munatch, Prime Minister of the Kadar Regime of Hungary, announced to the Parliament the "investigation and punishment of counter-revolutionary crimes has been completed". On 2 April the Hungarian Presidential Council announced an "amnesty" for crimes committed prior to May 1, 1957, and granted a full pardon to Zoltan Tildy, ex-head of the Small-Holders party and a Minister of State in the Imre Nagy Government of 1956 for reasons of "advanced age" and repentance. The amnesty decree purports to free prisoners serving sentences of two years or less and halves the sentences of those serving four years or less. It does not apply to those who took a "leading part in counter-revolutionary" crimes, ex-leaders of the Nazi Party, exploiters, persons involved in crimes against "social property", or those sentenced for crimes on more than two occasions. On the other hand reports continue to accumulate indicating that the political arrests, trials, and imprisonments which have characterized the Kadar regime since it took power continue undiminished. There are many reports that amnesties granted in the form of letters from Hungarian Legations to refugees of the 1956 Revolt have been violated in cases of returnees, who, upon their arrival in Hungary, were arrested, tried and imprisoned. On 1 April the first official announcement of the trial and imprisonment of another group of Nagy supporters appeared in the newspaper Esti Hirlap, which reported the group was accused of a "plot" against the Kadar Government. The group included Ferenc MEREL, a member of the Revolutionary Council of Intellectuals during the revolt; Sandor FEKETE, Cultural Editor of the newspaper Szabad Nep during the brief Nagy reign; Janos SZELL, a former ambassador to Rumania and close colleague of Nagy who was in charge of the Petofi Radio during the uprising; Gyergy LITVAN and Andras HEGEDUES, both of whom were charged with having taken part in the "plotting" against the Kadar Government. On 14 April Reuters reported Czechoslovak Communist Party newspaper Rude Pravo as announcing the sentencing of Sandor RACZ, chairman of the Budapest Workers' Council during the Hungarian Revolt, to life imprisonment, and his Deputy Sandor BALKI to 12 years. Both had played major roles in the negotiations between the Revolutionary Worker's Council and the Kadar regime when the latter was placed in power after Soviet troops had crushed the Hungarian Revolt.

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72. Peking-Yugoslav Dispute

Polemics between the Communist Regimes of China and Yugoslavia date essentially from the period immediately following the publication of the Yugoslav Party Program in April 1958. This program, the first published version of Tito's "Separate Roads to Socialism", represented a direct challenge to Bloc solidarity and provoked immediate attack from all members of the Sino-Soviet Bloc. Peking soon assumed the lead in intensity and vociferousness. In spite of generally moderate Yugoslav replies, Peking's anti-Yugoslav campaign continued. During Tito's recent visit to Asian and African Countries, Peking, while avoiding direct reference to the tour as such, maintained a running attack on Tito through replay of critical editorials and comment appearing in Communist controlled media in the Asian nations he visited. Peking renewed its attack on the Tito program in the theoretical organ Red Flag in which Tito's themes of "non-alignment with blocs", "positive coexistence" and "peaceful neutrality" were denounced as devices used by "the Tito clique" to serve the interests of "imperialist aggression". Prior to Chinese repression of the Tibetan revolt Yugoslav replies had maintained a moderate tone, primarily defensive in nature. On the issue of Tibet, however, Yugoslavia appears to have moved toward the offensive through publication in various party and government journals and news-papers of interpretations of events calculated to embarrass Peking, specifically charging that the Chicom action in Tibet "has dealt a heavy blow not only to China, but also to the interests of the struggle for socialism". On 3 April Peking through the NCNA accused Yugoslav papers of carrying completely distorted stories on Tibet and "openly" representing "China's territory of Tibet as an independent country" and having "put both Tibet and Sinkiang outside of China's borders in a map" published in Borba. On 10 April a Yugoslav government spokesman asserted that Yugoslav press coverage of Tibet had been "objective" and stated that Chinese propaganda is taking advantage of the fact that its (China's) public is not kept informed.

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